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Deposited in DRO:

22 December 2013

Version of attached file:

Published Version

Peer-review status of attached file:

Peer-reviewed

Citation for published item:

Schrecker, Ted (2013) 'Global reach, local depth, and the future of health equity.', *Social medicine*, 7 (2). pp. 98-104.

Further information on publisher's website:

<http://www.socialmedicine.info/index.php/socialmedicine/article/view/569>

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Global reach, local depth, and the future of health equity

Ted Schrecker

Introduction

In August 2008 the World Health Organization's Commission on Social Determinants of Health, chaired by epidemiologist Sir Michael Marmot, issued a hard-hitting report that began with the observation that "social injustice is killing people on a grand scale"¹ – not the usual language of UN system documents. Basing its analysis on the concept of health equity (the absence of avoidable, socially patterned disparities in health), the Commission identified "tackling the inequitable distribution of power, money and resources" as one of three overarching strategies for reducing health inequity within and among countries. When the WHO Commission argued for "changes in the operation of the global economy," some observers wondered whether it was being utopian. Two months after the report's release, a financial crisis swept across the world and showed that the Commission had been prescient.

Apart from questions of timeliness, the Commission's perspective on health and illness is conceptually and practically challenging. Its frame of reference was far more inclusive than is usual in medicine and epidemiology; by explicitly addressing differences in conditions of life and work, the Commission directed attention to contextual elements including "those central engines in society that generate and distribute power, wealth, and risks."^{2(p16)} In an interconnected world, this perspective requires

confronting the consequences of globalization: "[a] pattern of transnational economic integration animated by the ideal of creating self-regulating global markets for goods, services, capital, technology, and skills."^{3(p252)} Experiences of globalization have varied widely, depending on the position of a particular household, community, or country in the increasingly dense web of interconnections that characterizes contemporary economic life. To understand the effects on social determinants of health and the prospects for reducing health inequity, it is useful to describe those experiences and their consequences in terms of two interacting dimensions: *global reach* and *local depth*.

Global reach, local depth

Global Reach was one of the first popular books on the growing role of transnational corporations (TNCs) in the world economy.⁴ The global diffusion of branded commodities – like fast food – was one of the trends identified in the book that has continued (Figure 1), facilitated by the lowering of barriers to trade and foreign direct investment, with generally negative consequences for health.⁵ Further, production and many forms of service provision have been reorganized across multiple national borders to an extent that would have been difficult to imagine when the book first appeared.⁶ Resulting pressure for "recommodification" of labor⁷ has been magnified by the integration of China, India, and many transition economies into the global marketplace. The dynamic has been described as labor arbitrage: "the ability to pay one labor pool less than another labor pool for accomplishing the same work, typically by substituting labor in one geography for labor in a different locale,"^{8(p161)} in the words of a trade journal quoted by anthropologist Aihwa Ong. Ample evidence supports Eduardo Ga-

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Figure 1. McDonald's, downtown Santiago.



(Source: author) "McDonald's arrived in Chile targeting the segment of children, but over time, the customer base has expanded from not just children to also their parents, as well as young people. This strategy has allowed this brand to claim an important part of the category, and it has established itself amongst consumers of fast food."¹¹

leano's description of globalization as "a magic galleon that spirits factories away to poor countries,"^{9(p166)} or from poor countries to even poorer ones. As an example, approximately 200,000 Mexican jobs in export-oriented manufacturing disappeared early in the last decade when production was relocated to China. Further, we read in the business magazine *Africa Report* that rising Chinese labor costs mean "Africa is now a serious destination for low-cost and labor-intensive manufacturers."¹⁰

Global integration of labor markets has also blurred, or sometimes eliminated, the meaningfulness of familiar territorial distinctions between core and periphery. William Robinson, a leader in the emerging transdiscipline of critical globalization studies, had this in mind when he argued that the study of development must transition from a "territorial" to a "social cartography."¹² Judith Hellman's fieldwork among undocumented workers in New York City¹³ and, more generally, the situation of the estimated 11 million undocumented workers throughout the United States demonstrate how the restructuring of labor markets can create socioeconomic and health status gradients within a single metropolitan region in the high-income world that are as steep as those between countries of the 'North' and the 'South.' The World Bank, normally a reliable enthusiast of globalization, has conceded

that labor market changes will lead to increased economic inequality in most of the developing world until 2030, with the so-called "unskilled poor" being left farther behind,^{14(p67-100)} this has already happened in the high-income world. Hence, *local depth*: a short-form description of how global-scale economic processes transform the lives of households and communities while deepening divisions and reproducing world-scale economic inequalities within territorial boundaries.

The phenomena just described are effects of intensified competition among jurisdictions for foreign direct investment and contract production in what has been described as "a self-reinforcing systemic trend."^{15(p5)} Interactions of global reach and local depth are even more clearly evident in the operation of today's financial markets. Portfolio investors can devastate national economies in short order by shifting their assets in search of lower risks and higher returns. In the aftermath of the Mexican financial crisis of 1994-95, the then managing director of the International Monetary Fund (IMF) noted the importance of "market perceptions: whether the country's policies are deemed basically sound and its economic future, promising," and warned (threatened?) that "shifts in the market's perception of these underlying fundamentals can be quite swift, brutal, and destabilizing."¹⁶ Anticipation of such consequences, combined with the global reach of foreign investors' portfolio choices, gives investors an effective veto over a range of government policies by way of the mechanism of anticipated reaction, as was evident before and after the 2002 Brazilian elections.^{17,18} Financial crises in low- and middle-income countries (LMICs) became increasingly frequent in the post-1980 global financial marketplace and served to widen the gap between rich and poor in several ways.^{19,20}

Here, again, it is essential to recognize the new social cartography generated by globalization. Broadly speaking, the rich in LMICs now have the same portfolio choices as their counterparts half a world away. This increases the importance of the long-standing phenomenon of capital flight, which has at least two analytically distinct but related consequences. First, it drains national economies of resources urgently needed for development. Léonce

Ndikumana and James Boyce, whose methodology is widely accepted as setting a standard for the field, recently estimated the value of capital flight from 33 sub-Saharan countries between 1970 and 2008 (plus imputed interest earnings) at \$944 billion (in 2008 dollars).²¹ This figure is *more than five times* the value of those countries' external debt obligations in 2008, underscoring the connection between capital flight and debt crises. Simply put, the ease of capital flight allows elites to socialize the costs of accumulating private fortunes.

Second, the prospect of capital flight can be used to resist redistributive policies that are essential for reducing socioeconomic gradients in health. A former Brazilian finance minister observed that "no serious measures can be taken to put an end to extreme poverty and inequality without forcing the richest segments of the population not only to pay taxes, but to pay much more than others."^{22(p3)} However John Williamson, best known for codifying the Washington consensus at the end of the 1980s, argues that "levying heavier taxes on the rich so as to increase social spending that benefits disproportionately the poor" is conceptually attractive in Latin America, one of the world's most unequal regions, but "it would not be practical to push this very far, because too many of the Latin rich have the option of placing too many of their assets in Miami."^{23(p13)}

The 2008 financial crisis involved new interactions of global reach and local depth. A key contributor to the crisis was the practice of extracting resources from working class US households by issuing high-risk mortgages, packaging (securitizing) them, and then selling them on international markets – a process that "moves faster than extracting profit from lowering wages."^{24(p412)} When the market for such securities collapsed, literally trillions of dollars were mobilized to prevent the collapse of large portions of the world's financial system, in what was described (correctly) early in the crisis as a hostage-taking.²⁵ The most pessimistic assessments of how the crisis would affect development were not borne out. Nonetheless, for millions of households in low-income countries, the financial crisis worsened the effects of rapid food price increases in 2007-2008,²⁶ themselves attributable in part to the financialization

Figure 2. The war brought home



(Source: Clementine Gallot, via Flickr; reproduced under [Creative Commons 2.0 license](#))

of agricultural commodities. The Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria was forced to suspend calls for new proposals.²⁷ At the epicenter of the crisis, mortgage foreclosures on an estimated 14 million US households created a largely invisible army of the dispossessed;²⁸ in late 2012 roughly one out of seven US residents (47.5 million people) received the federally issued food vouchers known as food stamps (Figure 2).²⁹ Thus, the financial crisis 'brought the war home' to the high-income world, although those worst affected had no role in creating the crisis and no control over its progress, underscoring once again the need to think in terms of social rather than territorial divisions.

An expanding body of evidence suggests that the practices that generated the financial crisis should be viewed as just one manifestation of an emerging, distinctively predatory form of global capitalism.³⁰ Other manifestations include large-scale forced displacement of metropolitan populations in order to facilitate redevelopment for more profitable uses and users ("megagentrification"³¹), and similarly large-scale purchases or long-term leases of agricultural land ('land grabs') in LMICs by foreign investors or the governments of food-importing countries.³²⁻³⁴ The financial crisis inequitably externalized the costs of domestic deregulation and predato-

ry economic activity by the powerful, in much the same way that the costs of fossil fuel consumption are externalized in the form of effects of climate change.³⁵ Forced displacements and land grabs are situations in which the rich simply outbid others for prime location-specific resources – variations of what David Harvey has characterized as accumulation by dispossession.³⁶ Even when foreign investors and transnational corporations are not involved, globalization is clearly implicated, as noted in a 2003 UN Habitat study of metropolitan settlement patterns: “[T]he prime resources of the city are increasingly appropriated by the affluent. And globalization is inflationary as the new rich are able to pay more for a range of key goods, especially land.”^{37(p52)}

Exposures and possibilities: The role of the state

The WHO Commission’s ambitious agenda for reducing health inequity “requires a strong public sector that is committed, capable, and adequately financed”¹ (in the Commission’s words), as well as broader public policy commitment to equity in economic and social policy. However, it is important to remember that the state has often been a key protagonist in advancing the globalization agenda, for instance through the “discipline of labor” identified by Alice Amsden in 1990 as essential to late industrialization.³⁸ Structural adjustment programs were promoted by key G7 governments, through the World Bank and IMF, as a way of protecting creditor interests while opening up new frontiers for foreign investment. Central to those programs was a retreat from social protection measures, and the UN Habitat report pointed out that “[t]he main single cause of increases in poverty and inequality during the 1980s and 1990s was the retreat of the state” from redistributive policies.^{37(p43; see generally pp43-46)}

In serious discussion of political economy, it is axiomatic that the owners of capital hold something close to a veto over a range of domestic policies, even under conditions of formal democracy; they can direct or withhold the investments on which all market economies depend. In addition, they can use their resources to affect the outcome of political processes. Globalization has magnified this advantage by multiplying capital’s options for exit

(through relocation of production and capital flight) and extortion (as illustrated by the financial crisis). The resultant weakening of organized labor and other social movements³⁹ and associated economic polarization are likely to have substantial political consequences. India’s 48 *Forbes* billionaires⁴⁰ and roughly 153,000 “high net worth individuals” with financial assets of more than \$1 million⁴¹ coexist with 450 million compatriots living in extreme poverty as defined by the World Bank⁴² and a growing middle class, an admittedly imprecise concept, whose economic opportunities are tied both to transnationally-oriented industries, like information technology, and to real estate development. More or less worldwide, the allegiances of this ‘globalized’ portion of the middle class are problematic from an equity perspective. Like gentrifiers in high-income countries,⁴³ the middle class in LMICs currently seems more likely to fortify itself against the working poor and marginalized and to displace them for higher-value land uses than to make common cause with them,^{44,45} and more likely to resist redistributive policies than to embrace them.⁴⁶

These observations are high-level generalizations; numerous context-specific variations, exceptions, and possibilities for resistance exist. Nevertheless, it can be said with a high degree of confidence that in a globalized world where distributional conflicts are no longer contained within national boundaries, the trajectories of economic winners and losers tend to diverge; even when living in close proximity, they share few current interests or future prospects. For contemporary political leaders in countries rich and poor alike, the risks of simply ignoring those with few political resources and little to offer in the global marketplace are often minimal. Globalization’s effects on domestic economic opportunity structures and political allegiances help to explain phenomena such as governments’ active support for land grabs and subsidized real estate capitalism, as well as lack of mainstream political attention in high-income and transition economies to not only the injustice of post-crisis austerity measures and unemployment levels, but also their long-term effects on health. Meanwhile, the financial services industry, as of late 2012, had successfully resisted many domestic and multilateral regu-

latory initiatives that could avoid a repeat of the 2008 crisis, and indeed might have prevented it.^{35,47,48}

Reducing health inequities by acting on social determinants of health will require transformations that epitomize the “large-scale social change” famously described by Albert Hirschman as “a unique, nonrepeatable, and *ex ante* highly improbable complex of events.”^{49(p194)} When the scope of the financial crisis became clear, mobilization around redesign of the economic order temporarily seemed possible, even imminent. Fatalism must be avoided, but neither the subsequent retreat to business as usual nor the analysis presented here bodes well for the future of health equity. After the October 2011 World Conference on Social Determinants of Health, Sir Michael Marmot commented on the politics behind the conference’s anodyne concluding declaration: “The word on the street was that there were objections to the Commission’s strong emphasis on inequities in power, money and resources. Trying to convince poor people to eat vegetables is one thing, acceptable and safe; attacking the inequity in power, money and resources is altogether less safe.”⁵⁰ Indeed.

Provenance

This article originated as an invited thematic panel presentation at the Second Chilean Public Health Congress, Santiago, November 17-19, 2010. The hospitality of Giorgio Solimano, Leonel Valdivia, Josiane Bonnefoy, and their colleagues at the School of Public Health, University of Chile is gratefully acknowledged. Portions of the argument were earlier presented at the 21st World Congress of Political Science, Santiago, July 2009. The editors of *Social Medicine* and an anonymous reviewer provided commentary that substantially improved the article.

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Figure 3. Start of a new era in health policy, or end of the road?



(Source: author)

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